



TERRY E. BRANSTAD, GOVERNOR

IOWA UTILITIES BOARD
DEPARTMENT OF COMMERCE

June 28, 1996

DOCKET FILE COPY ORIGINAL

Mr. William F. Caton, Acting Secretary
Federal Communications Commission
Room 222, 1919 M Street NW
MS 1170
Washington, DC 20554

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FCC
LRC

RE: Implementation of the Pay Telephone Reclassification and
Compensation Provisions of the Telecommunications Act
of 1996, CC Docket No. 96-128

Dear Mr. Caton:

Enclosed for filing in the above docket are an original and twelve copies of the
"Initial Comments of the Iowa Utilities Board " Two of the copies are annotated as
"Extra Public Copy."

Please stamp one of the enclosed copies, and return it in the enclosed postage-
paid envelope.

Sincerely,

William H. Smith, Jr.

Chief

Bureau of Rate & Safety Evaluation

Enclosures

cc: International Transcription Service
Common Carrier Bureau
Elisabeth Ross, Attorney
Telecommunication Reports News Office

2013

Before the
FEDERAL COMMUNICATIONS FCC
Washington, D.C. 20554

In the Matter of)

Implementation of the Pay Telephone)

Reclassification and Compensation Provisions of)
the Telecommunications Act of 1996)

CC Docket No. 96-128

**INITIAL COMMENTS
OF THE IOWA UTILITIES BOARD**

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The Iowa Utilities Board (Board) offers the following comments on the proposed rules.

OVERVIEW

The Board agrees with the Federal Communications Commission (FCC) that the passage of the 1996 Act gave the FCC direction to ensure that payphone providers receive fair compensation for each call generated by a pay phone. We also agree that the Act does not specify how the FCC should implement this mandate. The NPRM proposes alternatives which involve more significant federal involvement than the Iowa Utilities Board believes is appropriate. FCC Chairman Hundt has issued a separate statement expressly stating that a strong case must be made why federal intervention is necessary. He asks for a demonstration of why many of the payphone issues in this NPRM are of federal, rather than state, concern. Chairman Hundt also wants a clear articulation why public interest demands we not rely on local decision-making. The Board believes that the FCC should follow the Chairman's lead on this

point.. Our strong advice to the FCC is to defer to the states regarding the establishment of local coin rates and public interest payphones.

LOCAL CALL COIN RATE

The FCC has proposed three options for setting the local coin rate to ensure "fair compensation" for payphone providers.

- Set a nationwide rate binding on all states.
- Set guidelines for the states to use in setting rates.
- Defer to the states to set rates.

The Board urges the FCC to adopt rules, as outlined in the third option, that will defer to the states and allow the states to set the rates according to the circumstances within their states.

Certainly the goal of the Telecommunications Act of 1996 is to promote competition and ultimately deregulation. The Iowa Board in **1985** found payphones subject to competition and deregulated the provision of payphone service for both the local exchange company and the competitive payphone provider. All regulated telephone companies were required to remove the investment, cost, and revenue from the regulated books. If payphone revenue was not covering the cost to provide service, the providers were free to raise the rate. Iowa opposes a step backwards that would replace the current market control with regulation.

The FCC in its NPRM at footnote 59 includes Iowa in a listing of states that have "recently examined the basis for the local coin call rate". The footnote goes on to state that as a result higher local calling rates were "approved". Iowa is listed as one of four states that have "approved" a maximum rate of \$.35 per call. The FCC should be aware that the last payphone rate set under regulation in Iowa was in a 1984 U S West rate proceeding and the local calling rate was set at \$.35. Since 1985, payphone providers have been free to set the rate at whatever the market will bear.

After the deregulation of the local coin call rate, as would be expected, some payphone providers raised the rates to test the market rate to determine what would be acceptable to the public. However, after eleven years of deregulation, by far the majority of Iowa payphones have a rate of \$.35 for a local call. While this is not the regulated rate in Iowa, it does appear to be what the market will bear.

Again, the Iowa Utilities Board urges the FCC to set rules that will not force states such as Iowa to re-regulate services that are competitive and have been deregulated.

PUBLIC INTEREST PAYPHONES

The FCC seeks comment on whether it would be in the public interest to maintain payphones provided in the interest of public health, safety and welfare in locations where otherwise there

would not be a payphone. The FCC offers three options for maintaining public interest payphones.

- Prescribe federal regulations.
- Establish national guidelines.
- Defer to the states.

The Iowa Utilities Board urges the FCC to defer to the states and allow the states to set their own guidelines regarding the establishment of "public interest payphones".

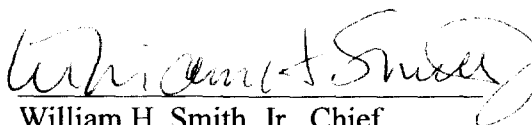
Certainly, this is one area where one size does not fit all. The FCC should not assume that the rules that would define and determine the placement of a public interest payphone in New York would be the same as in Iowa.

At the that payphones were deregulated in Iowa, there was concern that some small towns would not have a payphone. After review of the issue, the Board determined that it was not necessary to establish rules requiring public interest payphones. The Board determined that the local community was the best judge of where the public interest required phones to be maintained. If a community was concerned about keeping a payphone in the community, the community could provide it. This solution appears to be acceptable. In the eleven years that payphones have been deregulated the issue has arisen very rarely at the agency or legislative level.

CONCLUSION

In conclusion the Board supports adoption of rules that will defer to the states' authority to establish the rules deemed necessary to set the rates for local call coin rates and to establish the necessity of public interest payphones. The Board asks that the FCC specifically conclude that no state that has deregulated the provision of payphone services should be required to return to regulating those services.

Respectfully submitted,



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